



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

April 14, 2009

TI-481

TO: ALL TITLE I LENDING INSTITUTIONS  
Attention: Installment Loan Department

SUBJECT: Changes to the Title I Manufactured Home Loan Program

The FHA Manufactured Housing Loan Modernization Act of 2008, §§2141-2150 of the Housing and Economic Recovery Act of 2008, (the Act), amended various provisions in Title I of the National Housing Act relating to the Manufactured Home Loan program. These changes are discussed below. Specific details relating to all aspects of origination, underwriting, insuring, servicing and claims procedures and guidelines are contained in the appendices to this letter.

**KEY CHANGES UNDER THE ACT**

- Loan Limits Increased
- Annual Indexing to Allow for Future Increases
- Coinsurance on an Individual Loan Basis
- Incontestability of Insurance
- Upfront Insurance Premium
- Annual Insurance Premium
- Underwriting Criteria Revised
- Three (3) year Leasehold Agreement Required

**Increased Loan Limits and Indexing for Future Adjustments**

Section 2145 of the Act increased maximum loan limits as shown below. In addition, the act requires the Secretary to develop a method of indexing so as to be able to annually adjust the maximum loan limits. The higher loan limits only were implemented effective March 3, 2009 as per Title I Letter TI-480.

04/09/09

LOAN TYPE	PURPOSE	OLD LOAN LIMIT	NEW LOAN LIMIT
MANUFACTURED HOME UNIT (S)	To purchase or refinance a manufactured home unit (s)	\$48,600	<b>\$69,678</b>
LOT LOAN	To purchase and develop a lot on which to place a manufactured home unit	\$16,200	<b>\$23,226</b>
COMBINATION LOAN FOR LOT AND HOME	To purchase or refinance a manufactured home and lot on which to place the home	\$64,800	<b>\$92,904</b>

### **Individual Loan Insurance**

Section 2143 of the Act substantially revised the Manufactured Home Loan program by changing the insurance for manufactured home loans from portfolio insurance to insurance on each individual loan.

- FHA will coinsure individual loans under the new program.
- FHA will pay 90 percent of the loss on a valid claim.  
(See Appendix 9-7 for information on calculating the deficiency claim)
- The Lender will absorb 10 percent of the deficiency balance on a valid claim.

This change is applicable to all Title I manufactured home loan products for which loan applications are dated on or after June 1, 2009. Loans that have already been registered for insurance or for which loan applications are dated prior to June 1, 2009, will continue to be registered in the portfolio loan insurance program.

### **Incontestability of Insurance**

Section 2144 of the Act provides that the insurance on each individually Title I insured manufactured home loan shall be incontestable, except for fraud or misrepresentation by the lender. This eliminates the two-year period before the insurance becomes incontestable. The two year contestability period remains in effect for loans that are included in the insured portfolios.

### **Premium Changes for Manufactured Home Loans**

Section 2146 of the Act changed the method of calculating the insurance premium charge, referred to in the Modernization Act as the insurance premium, for Title I manufactured home loan products. The Act provides for both an upfront insurance premium and an annual premium to be paid during the term of the loan. The upfront insurance premium shall not exceed 2.25 percent while the annual premium payments during the term of the loan shall not exceed 1.0 percent of the remaining insured principal obligation.

The upfront insurance premium is an obligation of the lender, but may be passed on to the borrower. The upfront insurance charge is eligible to be financed only to the extent that it and other eligible charges do not exceed the maximum loan amount set forth elsewhere in this Letter. If all or part of the upfront premium exceeds the maximum loan amount, the borrower must pay that amount in cash.

Most manufactured home loans are evidenced by advances of credit, *i.e.*, retail sales installment contracts, in which the borrower(s) agrees to pay the dealer over a period of time. To insure an advance of credit as a Title I loan, an FHA-approved lender purchases the advance of credit. Because the dealer is not eligible to insure such a loan, Title I insurance charges cannot be included in the retail sales installment contract. Therefore, to pass the obligation to pay upfront and annual insurance premiums to the borrower, the lender must obtain a signed agreement from the borrower in which the borrower agrees to:

- An increase in the principal amount of the loan from what is shown on the retail sales installment contract to an amount that includes both the principal amount on the retail sales installment contract and the amount of the financeable upfront insurance charge;
- To pay the lender for any portion of the upfront insurance charge that cannot be financed;
- To pay the lender for the monthly insurance charge (1/12<sup>th</sup> of annual premium) in addition to the monthly loan payment set for in the retail sales installment contract.

Lenders are free to adopt any method that does not violate applicable law, but FHA suggests that the agreement be effectuated by a rider to the retail installment sales contract that is executed by the borrower at the same time that the retail installment sales contract is executed. Appendix 13 suggests the appropriate wording for the Rider, authorizing the lender to collect the upfront insurance premium from the borrower and indicating the amount of the charge to be financed into the loan.

The initial upfront insurance premium charge, effective for Title I manufactured home loan products for which applications are received on or after June 1, 2009, is 2.25 percent and the annual insurance charge is 1.0 percent.

**Underwriting Criteria**

Section 2148 of the Act requires FHA to establish such underwriting criteria for loans and advances of credit in connection with Title I manufactured home loan products as may be necessary to ensure that the manufactured home loan program is financially sound. While all sections of the appendices to this letter address Title I manufactured home loan policy and guidance, Appendix 4 specifically addresses the underwriting criteria for the Title I manufactured home loan products.

**Leasehold Requirements for Manufactured Homes**

Section 2150 requires that if a manufactured home loan is for the purpose of financing a manufactured home unit to be situated in a manufactured home community pursuant to a lease, the lease must:

- not expire before three (3) years after the origination date of the obligation;
- be renewable upon the expiration of the original 3-year term by successive one (1) year terms;
- requires the lessor to provide the lessee written notice of termination of the lease not less than 180 days prior to the expiration of the current lease term in the event the lessee is required to move due to the closing the manufactured home community, and further provides that failure to provide such notice to the borrower in a timely manner will cause the lease term, at its expiration, to automatically renew for an additional one (1) year term.

**Title I Manufactured Home Loan Handbook**

FHA is in the process of developing a handbook that will be more comprehensive with regard to Title I manufactured home loan products. FHA expects to issue the handbook in the near future.

If you have questions regarding this Title 1 letter, please contact the FHA Resource Center at 1-800-CALL-FHA (1-800-225-5342). Persons with hearing or speech impairments may access this number via TDD/TTY by calling 1-877-TDD-2HUD (1-877-833-2483).

Sincerely,

Brian D. Montgomery  
Assistant Secretary for Housing-  
Federal Housing Commissioner

Attachments